

Message Text

PAGE 01 STATE 226439

61

ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 R

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S/S -

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

S E C R E T STATE 226439

EXDIS

E.O. 11652:XGDS

TAGS: CI, UN, PFOR

SUBJECT: COPPER COMPENSATION AND DEBT RESCHEDULING

1. WE BELIEVE YOU SHOULD SEEK AN EARLY MEETING WITH RAUL SAEZ TO GO OVER THE SAME GROUND ON COPPER COMPENSATION YOU COVERED WITH MERINO. YOU SHOULD ALSO DRAW ON THE FOLLOWING TO ENSURE THAT SAEZ HAS AN UNDERSTANDING OF THE RELATED ISSUE OF DEBT RESCHEDULING.

2. CONTINUING CHILEAN ARREARAGE ON DEBT TO U.S. IS AN IMPORTANT OBSTACLE TO THE FULL NORMALIZATION OF OUR BILATERAL ECONOMIC AND FINANCIAL RELATIONS. WE HAVE ALREADY SUGGESTED TO FONMIN HUERTA AND ORLANDO SAENZ THE DESIRABILITY OF CONCLUDING A BILATERAL AGREEMENT ON 1972 DEBT IN ADVANCE OF NEXT JANUARY'S PARIS CLUB MEETING. SUCH AN AGREEMENT WOULD STRENGTHEN OUR ABILITY TO BE HELPFUL TO THE GOC AT THAT MEETING. UNDER SUCH AN AGREEMENT IT IS NECESSARY THAT EX-IM BE PAID SOMETHING MORE THAN A TOKEN SUM ON

SECRET

PAGE 02 STATE 226439

THE AMOUNT DUE.

3. BILATERAL DISCUSSIONS LEADING TO A 1972 RESCHEDULING AGREEMENT COULD BEGIN HERE IN EARLY DECEMBER IF GOC IS

PREPARED. FYI: INTERESTED USG AGENCIES MET LAST WEEK TO BEGIN UP-DATE OF TECHNICAL DATA ON 1972 DEBT (I.E., DIMENSIONS OF DEBT, PRINCIPAL AND INTEREST ARREARAGES AND PROJECTION ON CY 1973 AND FUTURE YEAR REPAYMENTS). THIS

MEETING WILL BE FOLLOWED BY MORE SUBSTANTIVE INTER-AGENCY DISCUSSIONS TO DEVELOP USG POSITION INCLUDING RESPONSE TO EXPECTED CHILEAN REQUEST FOR ROLLOVER OF PARIS CLUB FORMULA. IF UNCHANGED, LATTER WOULD REQUIRE GOC PAYMENT TO USG AGENCIES OF AN AMOUNT WHICH APPEARS BEYOND GOC'S PRESENT CAPABILITY TO MEET. END FYI

4. A 1972 RESCHEDULING AGREEMENT SHOULD BE ACCOMPANIED BY EVIDENCE OF PROGRESS ON THE COMPENSATION ISSUE. LACK OF SUCH PROGRESS, AND PARTICULARLY FAILURE TO GIVE THE COMPANIES CREDIBLE ASSURANCES OF GOC INTENTION TO PROCEED TOWARD SOLUTIONS IN A REASONABLY EXPEDITIOUS MANNER WOULD MAKE IT DIFFICULT FOR US TO JUSTIFY SIGNING A RESCHEDULING AGREEMENT. THE EARLY SETTLEMENT OF THE CERRO CLAIM WOULD BE A MOST HELPFUL SIGNAL IN THIS REGARD AND WOULD SEEM TO BE FEASIBLE GIVEN MERINO'S RECOGNITION OF THE SPECIAL NATURE OF THAT CASE.

5. WE UNDERSTAND SAEZ'S DESIRE TO PREPARE HIMSELF FULLY FOR DISCUSSIONS OF THESE COMPLEX PROBLEMS. HOWEVER, WE ARE CONCERNED THAT INITIAL IMPETUS TO REACH PRAGMATIC SOLUTIONS WILL FADE IN A FOG OF CHILEAN LEGALISMS AND POLITICAL PRESSURES. SAEZ IS WELL KNOWN TO COMPANIES AS A MAN OF GREAT INTEGRITY. DIRECT COMMUNICATIONS FROM HIM ON HIS INTENTIONS WOULD BE USEFUL. ALSO IN VIEW OF REPORTS OF RECONSTITUTION OF COPPER TRIBUNAL YOU SHOULD REVIEW WITH SAEZ OUR DOUBTS REGARDING THE UTILITY OF THIS DEVICE IN RESOLVING COMPENSATION DISPUTES.

6. RE RESCHEDULING PROBLEM, WE NOTE ORLANDO SAENZ'S PUBLIC STATEMENT THAT USG HAS ACCEPTED IDEA OF NEGOTIATIONS ON 1972 BILATERAL "PARALLEL" TO PARIS CLUB MEETING. IN
SECRET

PAGE 03 STATE 226439

ADDITION TO FILLING IN SAEZ ON OUR THOUGHTS ON THE DESIRABILITY OF REACHING AGREEMENT PRIOR TO THAT MEETING, YOU MAY WISH TO ASSURE YOURSELF THAT JORGE MARSHALL OF THE CENTRAL BANK UNDERSTANDS THE POINT. MARSHALL MIGHT ALSO BE REMINDED OF THE NEED FOR AN EARLY GOC ACKNOWLEDGMENT OF AND SOME PAYMENT ON CHILE'S OUTSTANDING DEBT TO THE EXPORT-IMPORT BANK. FYI, YOU MAY ALSO WISH TO PASS ON TO CARLOS SANSON OF IMF OUR GENERAL POSITION ON THE TYPE OF REPAYMENTS THAT WOULD BE REQUIRED UNDER A RESCHEDULING BILATERAL
END FYI. RUSH

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COPPER, DEBT REPAYMENTS, INDEMNIFICATION
Control Number: n/a
Copy: SINGLE
Draft Date: 16 NOV 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE226439
Document Source: ADS
Document Unique ID: 00
Drafter: ARA:HWSHLAUDEMAN/ARA/BC:JEKARKASHIAN:BJD
Enclosure: n/a
Executive Order: 11652 XGDS
Errors: n/a
Film Number: P750026-0192
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731167/abqcejwp.tel
Line Count: 108
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN ARA
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Jan-2002 by willialc>; APPROVED <06 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COPPER COMPENSATION AND DEBT RESCHEDULING
TAGS: PFOR, EFIN, CI, US, UN
To: SANTIAGO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005